GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5191
ANSWERED ON:25.04.2003
VALUE ADDED TAX
VSM (RETD.) COL. CHOUDHARY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether attention of the Government has been drawn to the news-item captioned 'VAT put Pharma Cos. In a tight spot" published in the 'Hindustan Times' dated March 13, 2003;

(b) if so, the facts of the matter reported therein;

(c) whether the Government are considering to relax VAT rate to 4 per cent for medicines and drugs as demanded by Indian Pharmaceuticals industry;

(d) if so, whether the Government are considering to dispel the confusion stems up from the fact that the trade is unsure as to how they will be compensated for the sales tax they pay on medicines and bought before changeover; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (GINGEE N. RAMACHANDRAN)

(a): Yes, Sir.

(b): Prices of commodities will depend on the rate of VAT fixed by the Empowered Committee of State Finance Ministers.

(c), (d) & (e) : As per Entry 54, List II of the Seventh Schedule to the Constitution, tax on sale or purchase of goods is a State subject. On the recommendations of the Chief Ministers' Conference held on 22nd June, 2000, an Empowered Committee of State Finance Ministers was constituted to deliberate on matters relating to implementation of VAT by the States/Uts. Any decision regarding representations of trade and industry and procedure to overcome shortcomings of State VAT, if any, or rescheduling of VAT has to be taken by this Empowered Committee which meets from time to time.